

AIRWAYS CORPORATION OF NEW ZEALAND LIMITED

MINUTES OF BOARD OF DIRECTORS

OF AIRWAYS CORPORATION OF NEW ZEALAND LIMITED

HELD BY ZOOM VIDEO CONFERENCE

ON FRIDAY 22 OCTOBER 2021, 9.30 AM TO 2.00 PM

Present: Denise Church (Chair), Mark Pitt (Deputy Chair), Darin Cusack, John Holt, Lisa Jacobs, Paula Jackson, Mark Hutchinson and Nicola Greer

Apologies: Nil

In attendance: Graeme Sumner, Chief Executive Officer
James Young, Chief Financial Officer
Katie Bhreatnach, GM Customer and Regulatory Partnerships
Kim Nichols, Head of Safety & Assurance
Sharon Cooke, CEO Airways International Ltd
Mark Daldorf, Head of People & Capability
Jamie Gray, Head of Public Affairs
Ed Overy, Chief Information Officer
Katie Wilkinson, Head of Air Traffic Services

REFLECTIONS OF DAY 1

The meeting opened with small group reflections on key insights from Day one. The Chair acknowledged the work that had been done to bring discussion topics forward, and the actions being planned to achieve progress in key areas. Reflections from small groups covered the following themes:

s9(2)(g)(i)



s9(2)(g)(i)

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The Chair noted the desire that the Board and ELT spend more time together to cement the relationship and define our destination and road map, exploring our risk appetite and a range of options for our destination.

The Chair suggested we use the notes from these insights for the next discussion on strategy, purpose, direction and execution when we next meet.

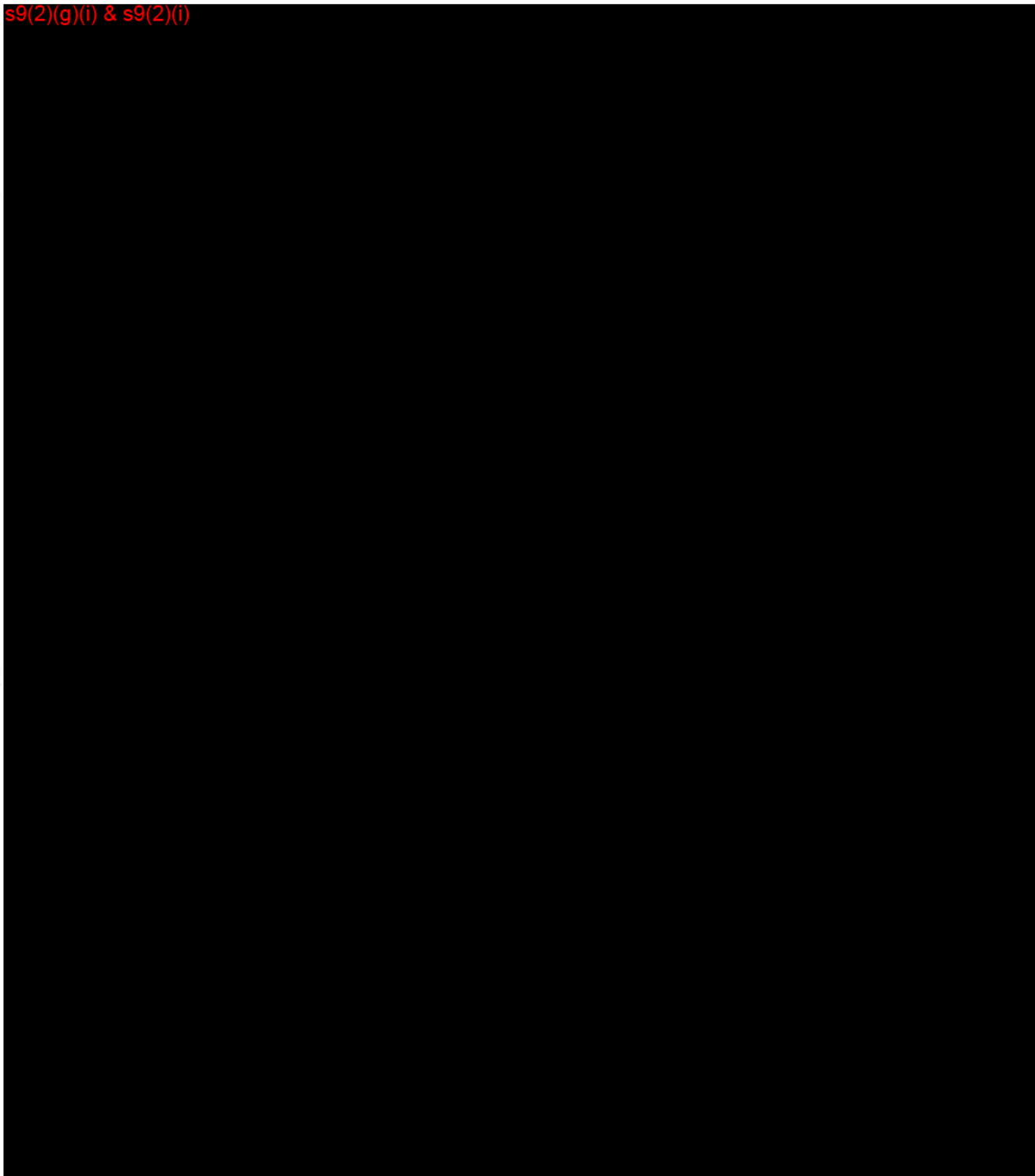
ITEM 1.0 STRATEGIC PAPERS AND PRESENTATION

Item 1.0 Airways Pricing Plan – Version 1

The board **noted** the Airways Pricing Plan.

The CFO presented the finance team’s first cut at a plan for airways pricing for 2022 – 2025, and sought feedback from the Board that is the general way forward, and how it might be funded.

s9(2)(g)(i) & s9(2)(i)



Mark Daldorf noted there are a number of head winds regarding inflation, CPI and a gap between us and ALPA, and we have done with our IEAs this year. We've tried to take a balanced approach, but there is a big gap and we will have to deal with that. If we want to move beyond the parameters James has presented, what productivity gains will we get. Also noted there is no one cohesive group within ATCs. Directors noted that regardless of inflation; wages should be 'benchmarked' against market and they were unconvinced that this area of the market is in demand currently.

The CFO noted that he had taken the wisdom of the crowd in terms of forecasting, and that together with Katie Bhreatnach met the Air NZ CFO and noted the views are aligned with his.

If we were to be made whole, the revenue would go to 230 million looking out, which would return us to profitability of the core business. If our customers are supportive of our WIP change that we are going out to consult on, then our cashflow profile will change. Approximately 24.3% price uplift, but obviously hugely sensitive to volume. This is unlikely to be palatable and need to think about how we can moderate that – seeking further assistance from government, or introducing risk through making radical change to the operating costs.

Regarding price elasticity, the CFO noted that the Air NZ view is that pricing for domestic can be maintained at similar levels.

The portion of our cost as a total amount of the airfare, then it will have little demand on domestic flights. 24% doesn't mean much without this. Was about \$5 – 4%. It's not nothing – it's quite significant. In total a cost of 130-140 million dollars.

s9(2)(g)(i)



Nic Greer noted that Airports continue to increase their pricing.

James said our narrative to date externally has been a full price reset signalled through SCIs and annual report and the like, and we have begun to signal with Treasury whether we should be modifying this towards recovery in step with the industry.

There are delivery levers available to us that are long term regarding towers (namely technology solutions, or outsourcing options). Neither likely to be that warmly received. All of the above are going to cause disruption.

s9(2)(g)(i) & s9(2)(i)

ITEM 2.0 PAPERS FOR APPROVAL / ENDORSEMENT

Item 2.1 *Auckland Tower Replacement Programme Update*

The board **noted** the contents of the Auckland Tower Replacement Programme Update.

Directors asked a number of questions regarding the role of the CAA, Airlines and Auckland Airport. Directors queries whether there are challenges regarding unknown costs, connection, locations, and whether we could deliver a hybrid solution in Auckland and stand up the proof of concept in a smaller airport rather than Auckland.

The Chair **noted** that there needs to be further work in parallel to the progression of the NATs work to fill in gaps raised by Directors so they have sufficiency of language to have a well-informed discussion about the particular proposal that comes to them.

Directors **noted** that the right people and the right strategy are key.

Item 2.2 *Union Relationship Update*

s9(2)(i)&s9(2)(j)

s9(2)(i)

Board broke for twenty minutes until 1:20pm

The Chair invited reflections from Paula, on her role at her final Board meeting:

Paula noted that back when she started, what attracted her was the exciting opportunities around international particularly SaaS and the appetite to grow the business, the creativity to split out AirShare, and the digital towers work with Invercargill. Execution of projects and culture of us and them with ATCs were issues then and sadly the needle has not moved on these during her time. Stakeholder engagement is a great opportunity for Airways and she hopes there will be collaboration going forward, as there is an opportunity to influence and position ourselves as an enabler rather than from a position of defensiveness. Paula concluded that she has enjoyed the intellect and impressive domain expertise, as well as ELT continually showing up and for demonstrative care of people.

ITEM 3.0 HEALTH AND SAFETY

Item 3.1 Board Safety Report

The board **noted** the Company Safety Report. The Board welcomed that management are proceeding with the Christchurch based safety forum. Kim Nichol noted that she has stood down the ECMG and in its place is standing up the Covid taskforce. Mark Pitt noted that we have a learnings section in the reports now, and how sophisticated we have got with this and how fundamental these are. TAIC have provided feedback on the Wellington 2019 safety investigation and congratulated us on the quality of the report.

ITEM 4.0 PERFORMANCE

Item 4.1 CEO Executive Summary and Company Performance Report

The board **noted** the CEO Executive Summary and Company Performance Report

The CEO updated the Board on the fact that Australia is opening up, which means skills shortages are likely to get worse – outflow without inflow. AFR has 500,000 jobs to fill in NSW and Victoria, and in his view this is now one of the single biggest risks we currently face.

s9(2)(i)

Katie Bhreatnach provided an update on the progress and that the team is working on presenting an updated offer to the Board for the November Board meeting.

The CEO provided an update on his recent customer engagements, including that he met up with Mark Thompson the new CEO for Nelson Airport virtually, who provided positive feedback on location operational relationships and customer management. He also noted that he is catching up in the next few weeks with the new CEO for Queenstown Airport.

The CEO noted that a draft submission on the CAA bill will be provided to Directors out of cycle.

The Chair **noted** that relationships with customers, stakeholders and other participants in the aviation system remains a matter of on-going interest for Directors.

Jamie Gray provided an update to the Board on the review being driven by the Ministry of Transport, noting it was curious timing from the Ministry – as these sorts of reviews typically inform legislative change. He noted that it will be interesting to see the submission process in terms of the various policy positions within the system, and that Treasury wasn't aware of the changes – so there is clearly a disconnect between the MoT and Treasury.

Katie Bhreatnach provided an update that officials have signalled that the Terms of Reference for MoT have not yet been developed but that they will be engaging with us on this shortly.

ITEM 5.0 OTHER MATTERS

Item 5.1 *Next Board Meeting Arrangements*

The next Board meeting will be held on Thursday 18 November 2021 virtually by zoom.

Item 5.2 *Board Work Plan 2021*

The Board **noted** the work plan for 2021 and in to 2022.

CLOSE OF MEETING BY CHAIR

There being no further business, the meeting concluded at approximately 2:00 PM.

s9(2)(a)



Chair

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Date